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Municipal

2000

Annual Report

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Municipal Pension Plan

2000 Annual Report

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MESSAGE FROM THE BOARD

I am pleased to present you with the Municipal Pension Plan Annual Report for the fiscal year ending December 31, 2000. On behalf of the board, I would like to welcome all new members to the Municipal Pension Plan.

There are currently over 120,000 active plan members and over 34,000 retired members, with about 700 participating employers across the public sector. Active plan membership is projected to grow by one per cent per year in the next three years. The number of retired members is projected to continue to grow by eight per cent to 10 per cent per year in the next three years.

The Municipal Pension Plan is financially sound. Net assets grew over eight per cent in 2000 to $15.2 billion at December 31, 2000. The actuarial valuation for December 1997 showed that the unfunded liability, on a funding basis, had declined by over half, from $1.3 billion in 1994 to $550 million in 1997. The plan has a statutory funding policy to provide for the long-term reduction of the unfunded actuarial liability. The latest actuarial valuation, as at December 31, 2000, will be reported next fiscal year.

Members' basic pension benefits are guaranteed regardless of the financial health of the plan. Other benefits, such as inflation protection to the basic pension and extended health, dental and Medical Services Plan coverage, are not guaranteed. The board monitors the ability of the account to continue to provide these benefits on an ongoing basis.

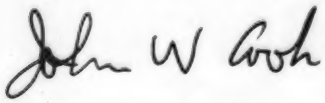
During 2000, representatives of the Municipal Employees' Pension Committee (MEPC), the Union of British Columbia Municipalities (UBCM), the Health Employers Association of British Columbia and the Provincial Government came to agreement in committee on changing the governance of the pension plan from government sponsorship to joint trusteeship, with plan members and the government having an equal share in the decision-making and in the financing of the plan. As of December 31, 2000, the trust agreement between the Provincial Government, UBCM, the Health Employers Association of British Columbia and the MEPC was being finalized and still required signature and final government approval. [*Note:* joint trusteeship was implemented on April 5, 2001 (not 2000, as published in the *2000 Annual Report Summary*).]

Under joint trusteeship, the Municipal Pension Board changes from a government advisory board, with the board chair as trustee of the plan, to a full governing board made up of pension plan trustees. The plan partners are the MEPC (as plan member partner) and the UBCM and the Provincial Government (as plan employer partners). The new board of trustees will be made up of members appointed by the partners and the organizations representing plan employers and plan members. The new structure will simplify, modernize and enhance the governance of the pension plan. For more

information, please refer to the booklet distributed during the summer, *Joint Trusteeship of the Municipal Pension Plan*, or to the Municipal Pension Plan web site at **pensions.bc.ca**.

The Municipal Pension Board continues to focus on communication with plan members as one of its highest priorities. See the "Communications" section of this annual report for more details.

In 1999/2000, the Pension Corporation implemented a new computerized Integrated Pension Administration System (IPAS), while readying the corporation's critical systems for the year 2000. The change to IPAS created some setbacks for the corporation and caused significant backlogs. Notwithstanding this, all new retired members who provided the necessary information received their first payment within one month of their retirement. Additional staff have been trained and assigned to improve the quality and timeliness of service. The board continues to challenge the Pension Corporation to provide high standards of service delivery to all plan contributors and retired members.



John W. Cook, Chair

BOARD AS AT DECEMBER 31, 2000

Chair
John W. Cook

Plan Member Representatives
Dennis Blatchford, Ken Davidson, Koni Marrington, Edward Pakos, Steven Polak, Sharon Saunders

Government Representatives
Bruce Kennedy, Janet McGregor, Louise Mercer, Lyn Vandermey

Union of British Columbia Municipalities Representatives
Barbara Ingamells, Richard Taylor

THE PLAN AND ITS PARTICIPANTS

The Municipal Pension Plan is a contributory defined benefit pension plan. This means that an employee's basic pension is guaranteed regardless of the financial health of the plan. Benefits are based on an employee's highest five years of salary, length of service and age at retirement. The plan provides entitlement to a pension benefit after two years of enrolment. The plan also provides survivor and disability benefits.

Membership in the Municipal Pension Plan is open to all eligible employees of a municipality, school district, regional college or other employer to which the *Pension (Municipal) Act* applies. Once an employee elects or qualifies to contribute to the plan, contributions continue as long as the employee remains with the employer, or until the employee has completed 35 years of pensionable service.

Municipal Pension Plan Employers

	Number of Employers
Cities, Districts, Towns, Villages and Regional Districts	183
Health Sector	290
School Districts	57
Colleges	24
Miscellaneous	132
Total	686

Active Contributors by Employer Group

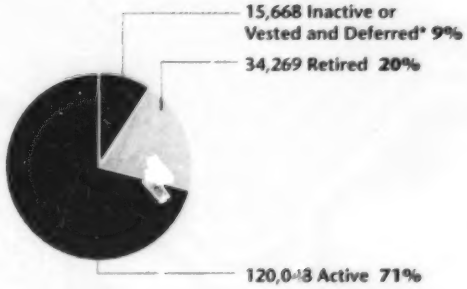
	Contributors per Group
Cities, Districts, Towns, Villages and Regional Districts	27,962
Health Sector	63,503
School Districts	19,813
Colleges	4,646
Miscellaneous	4,124
Total	120,048

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Investments as at December 31, 2000

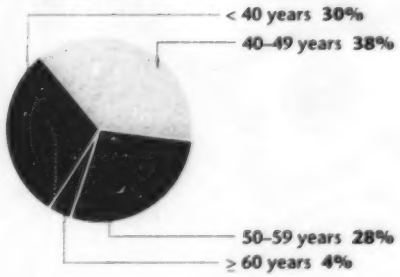
	Performance Benchmarks 2000	2000	1999
Market Value ($ Billions)		$15.2	$14.0
Market Value Rates of Return			
Basic Account			
Annual	6.2%	7.5%	13.3%
Five-year Average	12.1%	11.9%	13.7%
Market Value Rates of Return			
Inflation Account			
Annual		7.8%	14.0%
Five-year Average		11.9%	13.6%

2000 Membership Profile



* MEMBERS NO LONGER EMPLOYED, BUT WITH MONEY IN THE PLAN.

2000 Age Profile of Active Contributors



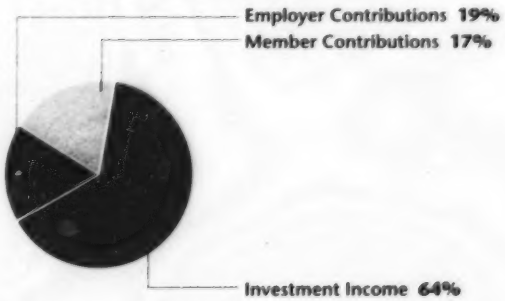
Latest Actuarial Valuation – December 31, 1997

$ Billions

	Basic Pension Benefits Net Unfunded Liability 1997	1994
For Funding Purposes (statutory contributions)*	$0.55	$1.31
Ratio of Unfunded Liability to Covered Payroll*	14%	36%
Based on Accrued Benefits to December 31	$0.30	$1.08

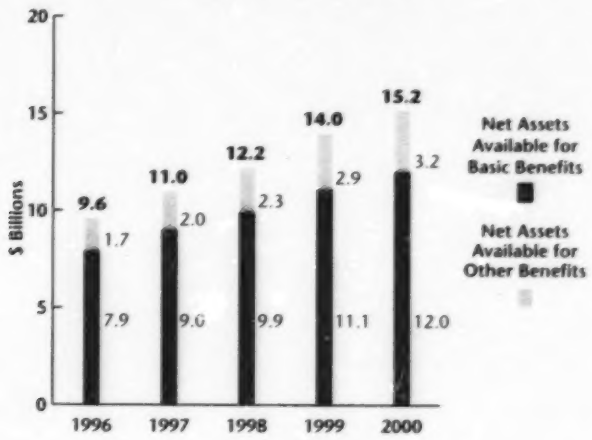
* ASSUMING CONTRIBUTIONS CONTINUE AT EXISTING RATES IN EFFECT AT THE VALUATION DATE. THE NEXT VALUATION WILL BE AS AT DECEMBER 31, 2000, WITH THE RESULTS INCLUDED IN THE 2001 ANNUAL REPORT.

2000 Revenue



Net Assets Available for Benefits

as at December 31 1996-2000



Five-year Summary Statement of Changes in Net Assets Available for Benefits (unaudited)

$ Thousands

For the year ended December 31	2000	1999	1998	1997	1996
Increase in Assets					
Net Investment Income					
Total Investment Income	$ 1,074,640	$ 1,660,558	$ 1,066,410	$ 1,294,170	$1,300,238
Investment Management Costs	(18,542)	(13,401)	(12,956)	(11,738)	(7,254)
	1,056,098	1,647,157	1,053,454	1,282,432	1,292,984
Contributions					
Members	289,345	271,831	269,599	258,307	250,105
Employers	328,169	302,592	295,578	273,589	257,144
Transfers from Other Plans	11,748	4,656	3,198	6,746	2,783
Total Increase in Assets	1,685,360	2,226,236	1,621,829	1,821,074	1,803,016
Decrease in Assets					
Pension Benefits	393,437	357,073	330,189	304,556	281,129
Termination Benefits	30,213	33,374	48,199	45,338	33,977
Transfers to Other Plans	11,020	1,576	1,607	3,979	676
Retired Member Group Benefits	34,872	30,860	27,126	25,209	16,048
Benefit Administration Costs	12,280	13,039	14,358	10,631	8,500
Total Decrease in Assets	481,822	435,922	421,479	389,713	340,330
Increase in Net Assets	1,203,538	1,790,314	1,200,350	1,431,361	1,462,686
Net Assets Available for Benefits at Beginning of Year	14,017,519	12,227,205	11,026,855	9,595,494	8,132,808
Net Assets Available for Benefits at End of Year	$15,221,057	$14,017,519	$12,227,205	$11,026,855	$9,595,494
			As a Percentage of Net Assets		
Benefit Administration Costs	0.08%	0.09%	0.12%	0.10%	0.09%*
Investment Management Costs	0.12%	0.10%	0.11%	0.11%	0.08%

* INCORRECTLY REPORTED AS 0.14% IN *2000 ANNUAL REPORT SUMMARY*

ROLES AND RESPONSIBILITIES

The Municipal Pension Board oversees the Municipal Pension Plan. The board includes representatives from employers and plan members. The chair of the board acts as trustee. Effective April 1, 2000, the *Public Sector Pension Plans Act* came into full force and replaced legislation that previously governed the plan. The new legislation simplifies public sector pension plan administration and management and provides the mechanism for the negotiation of joint trusteeship for the plan.

British Columbia Pension Corporation

The British Columbia Pension Corporation, which replaced the Superannuation Commission effective April 1, 2000, is responsible for administering pension benefits. The board of directors of the Pension Corporation consists of two members from each of the College, Municipal, Public Service and Teachers' pension plan boards, giving the pension boards a strong voice in the administration of the plans.

British Columbia Investment Management Corporation

The British Columbia Investment Management Corporation (bcIMC), which replaced the Office of the Chief Investment Officer effective January 1, 2000, is responsible for investment management within asset mix policies approved by the trustee. The bcIMC board also includes representatives from the College, Municipal, Public Service and Teachers' pension plan boards.

INVESTMENTS

Message from the Chief Investment Officer

Review of Markets

The 1990s were an incredible decade economically and for capital markets. The U.S. had the longest economic expansion in its history. There was significant improvement in fiscal performance as many governments went from running large deficits to budgetary surpluses. At the same time, globalization and productivity improvements led to declining inflation and interest rates.

Falling interest rates and strong economic growth led to strong inflows of capital to equity markets, particularly from retail investors. The net effect was to push stock prices higher and higher. As a result, returns in the 1990s were exceptionally strong. During the decade, in Canadian dollar terms, the S&P 500 index increased at an annualized rate of 21.0 per cent and the TSE 300 index increased an annualized rate of 10.6 per cent. The returns for the five years ending December 31, 1999 were even higher at 29.5 and 17.0 per cent respectively.

The strong economic conditions and returns caused many investors to become enamoured by the "new economy" and technology, media, and telecommunications stocks. As a result, there were large capital inflows to these sectors and fundamental valuation measures (e.g., price/earnings ratios) fell by the wayside.

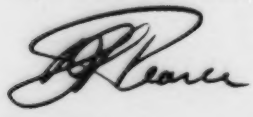
There are two downsides to this phenomenon. First, it created an asset bubble. Second, it led to a misallocation of capital. For example, telecommunications companies paid billions of dollars in government auctions for G-3 mobile phone licenses.

The prospect of a slowing global economy, and the failure of high-tech and telecommunications companies to meet earnings expectations, led to a significant reversal in 2000. With the exception of Canada, all major stock markets had negative returns last year. Furthermore, the correction is not yet over as equity markets have continued to produce very disappointing returns during the first quarter of 2001.

While short-term returns have been disappointing, corrections are an essential market mechanism for eliminating asset bubbles and the misallocation of capital. As such, the current correction will improve the long-term health of the market.

Pension plans have a long-term investment horizon and, as such, should not be unduly concerned about short-term performance. In addition, the Municipal Pension Plan has a very diversified portfolio and this reduces its exposure to market corrections. Finally, the British Columbia Investment Management Corporation, and its external managers, took some defensive actions in the summer and fall to reduce the plan's exposure to high-tech/telecommunications companies.

The net effect is that the Municipal Pension Plan still earned a 7.5 per cent return in 2000, and this was 1.3 per cent above its market benchmark. On a ten-year basis, the Municipal Pension Plan has an annualized return of 11.5 per cent. Consequently, despite the recent setback, the plan has posted strong long-term rates of returns.



Doug Pearce
Chief Investment Officer/Chief Executive Officer
British Columbia Investment Management Corporation

Approved Basic Account Investment Asset Mix

as at December 31, 2000

	Market Value	
Asset Class	Lower Limit	Upper Limit
Debt	**25%**	**45%**
Short-term	0%	10%
Bonds	20%	40%
Mortgages	0%	10%
Equity	**55%**	**75%**
Canadian Equities	15%	30%
U.S. Equities	5%	20%
International Equities	10%	25%
Real Estate	5%	15%
Private Placements	0%	6%

Investments

The Municipal Pension Fund holds a diversified portfolio of debt and equity investments that facilitates prudent management of risk. The plan's net assets grew over eight per cent in 2000 to $15.2 billion at December 31, 2000. Strategic and short-term asset allocation targets are set within the ranges shown below. Short-term for asset mix purposes includes government bonds with one- to five-year terms and money market funds.

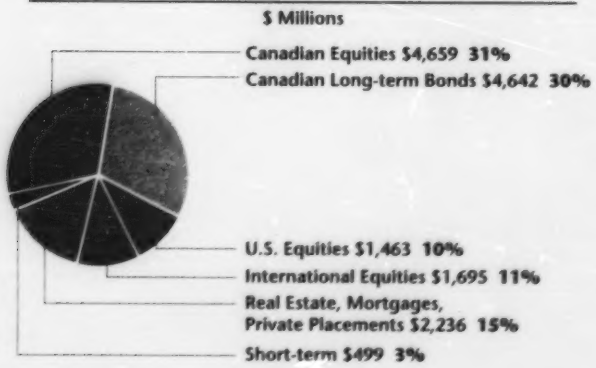
The board approved a new asset allocation policy in June 2000. These changes have caused the portfolio to exceed the maximum range for Canadian equities. The portfolio will be brought into line with the range over the next quarter.

Investment Portfolio

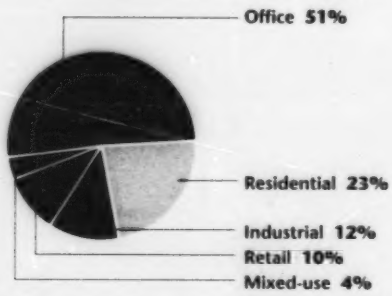
Investments Held as at December 31, 2000

	Market Value	Asset Mix % Market Value
Province of BC Pooled Investment Portfolio Units		
Money Market	$ 94,896,660	1%
Canadian Bonds		
Government	3,630,944,848	24%
Corporate	525,767,121	3%
Long-term	156,836,572	1%
Short-term (to 5 years)	403,809,620	3%
Canadian Equities		
Indexed	3,321,855,937	22%
Actively Managed	1,333,547,881	9%
U.S. Equities		
Indexed	977,512,541	6%
Actively Managed	485,017,103	3%
International Equities		
Asia	230,247,790	1%
Europe	552,920,066	4%
Europe, Australia and the Far East	911,896,467	6%
Real Estate	1,304,124,909	9%
Mortgages	500,178,872	3%
Private Placements	432,191,421	3%
Total Pooled Portfolios	**$14,861,747,808**	**98%**
Canadian Real Return Bonds	328,655,760	2%
Canadian Equities	3,377,133	
Total Investments	**$15,193,780,702**	**100%**
1999 Comparison	**$13,998,421,396**	

2000 Investment Holdings (Market Value)

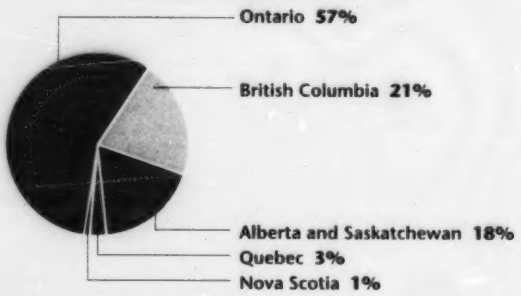

$ Millions
Canadian Equities $4,659 31%
Canadian Long-term Bonds $4,642 30%
U.S. Equities $1,463 10%
International Equities $1,695 11%
Real Estate, Mortgages, Private Placements $2,236 15%
Short-term $499 3%

Real Estate, by Type

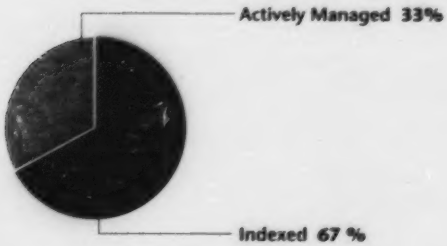


Canadian Equities (Market Value)

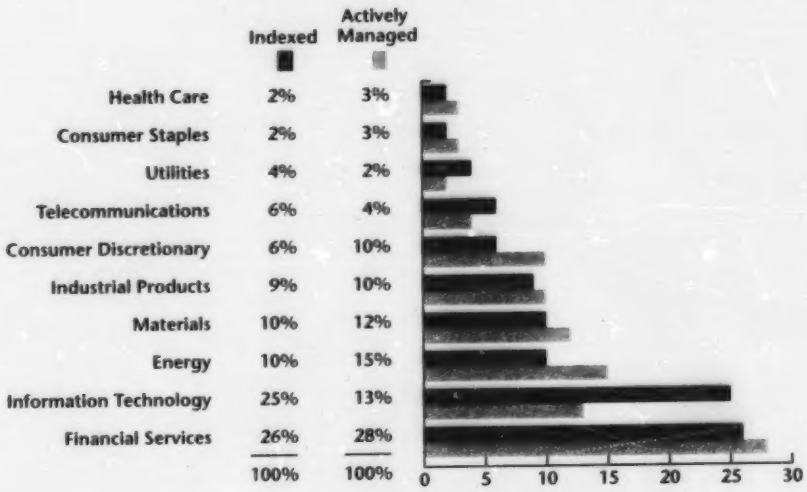
Real Estate, by Location



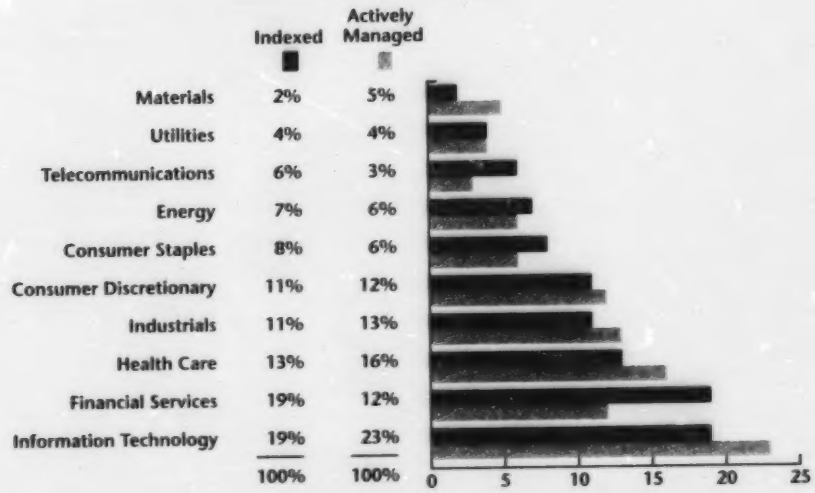
U.S. Equities (Market Value)



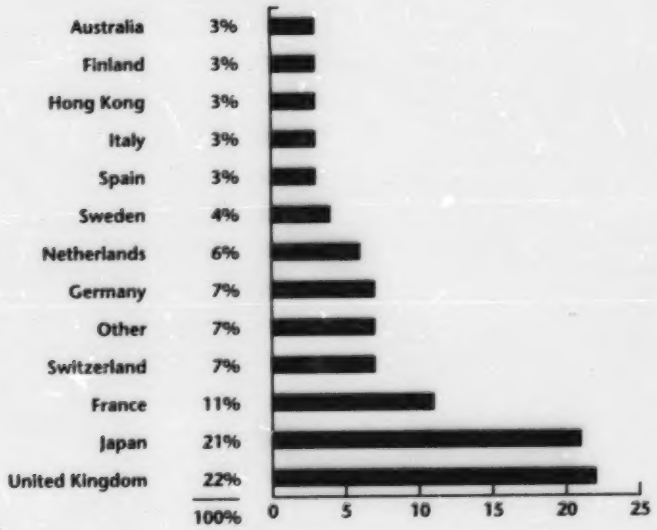
Canadian Equities, by Sector



U.S. Equities, by Sector



International Equities



Investment Performance

Net Earned Rate of the Fund

Year	%
1996	10.5
1997	11.3
1998	10.4
1999	13.7
2000	11.9

THE RATES OF RETURN ARE BASED ON A FIVE-YEAR AVERAGE.

Market Value Rates of Return for the Year Ended December 31, 2000

	Basic Account	Inflation Adjustment Account	Basic Account Performance Benchmarks	
Five-year Average Rates				
2000	11.9%	11.9%	12.1%	
1999 Comparison	13.7%	13.6%	14.1%	
Annual Rates				
2000	7.5%	7.8%	6.2%	
1999 Comparison	13.3%	14.0%	14.8%	
2000 Annual Rates by Investment Category			**2000 Performance Benchmark Indices**	
Short-term				
Money Market	5.8%	5.8%	5.5%	SCI 91-Day Treasury Bills
Bonds	8.2%	8.2%	8.2%	SCI Short-term Bonds
Bonds				
Government	10.8%	10.8%	10.6%	SCI Government
Corporate	9.5%	9.5%	9.1%	SCI Corporate Universe
Real Return	–	16.6%	16.6%	SCI Real Bond
Canadian Equities				
Actively Managed	18.7%	18.7%	7.4%	TSE 300
Indexed				
TSE 300	8.6%	8.6%	7.4%	TSE 300
TSE 100	8.6%	8.6%	7.6%	TSE 100
U.S. Equities				
Actively Managed	-3.1%	-3.1%	-3.3%	R 1000
Indexed	-5.7%	-5.7%	-5.9%	S&P 500
International Equities				
Asia	-36.0%	-36.0%	-23.2%	MSCI Pacific Basin Net
Europe	-6.9%	-6.9%	-6.2%	MSCI Europe Net
Europe, Australia and the Far East	-10.7%	-10.7%	-11.2%	MSCI EAFE Net
Real Estate	8.3%	8.3%	11.8%	R Canadian Property
Mortgages				
Fixed-term	10.2%	10.2%	9.3%	SCI Short-term Bonds + 1%
Construction	9.3%	9.3%	7.2%	SCI One-year Bill + 1%

Performance Benchmark Indices Abbreviations

SCI	= Scotia Capital Inc.
S&P	= Standard & Poor's
MSCI	= Morgan Stanley Capital International
MSCI EAFE	= Morgan Stanley Capital International Europe, Australia & Far East
R	= Russell
TSE	= Toronto Stock Exchange

(SOURCE OF ANNUAL RATES: BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION)

ACTUARIAL VALUATION / PLAN FUNDING

At least every three years, an independent actuary assesses the financial health of the pension plan and the adequacy of the contribution rates for funding the pension plan.

The plan is funded by contributions from both employees and employers. A key indicator of the fund's financial health is the unfunded liability as a percentage of the membership payroll covered by the plan. To assess funding, the valuation considers both benefits actually earned to date (accrued benefits) and benefits a member is likely to earn for future service.

At the last actuarial valuation on December 31, 1997, the Municipal Pension Fund's unfunded liability had declined by over half from the previous valuation (1997: $550 million, 1994: $1.3 billion). The next valuation will be as at December 31, 2000. The results will be included in the 2001 annual report.

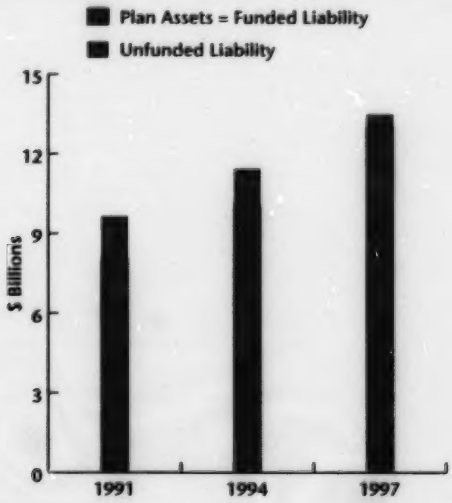
Latest Actuarial Valuation – December 31, 1997

$ Billions

	Basic Pension Benefits Net Unfunded Liability		
	1997	1994	1991
For Funding Purposes (statutory contributions)*	$0.55	$1.31	$1.41
Ratio of Unfunded Liability to Covered Payroll*	14%	36%	50%
Based on Accrued Benefits to December 31	$0.30	$1.08	$1.06

* ASSUMING CONTRIBUTIONS CONTINUE AT EXISTING STATUTORY RATES.

Total Basic Benefit Liability for Funding Purposes

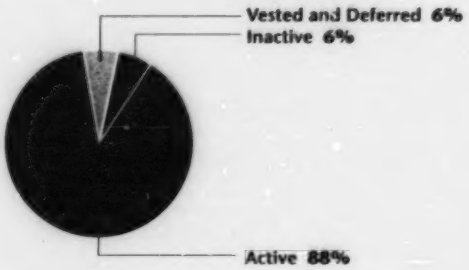


Contributors and Contributions

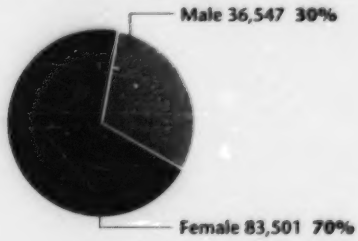
The number of contributors and the amount of contribution revenue continued to grow in 2000.

- Active members are those who are currently contributing, receiving benefits from an approved salary continuance plan or are on a leave of absence.
- Vested and deferred members are those who have terminated their employment and are eligible for a pension in the future. The number of vested and deferred members from 1997 onward has been adjusted to include inactive members who are active in another BC Family of Plans pension plan and are likely to have a vested entitlement on a combined plan basis.
- Inactive members are those who have terminated their employment with contribution balances on record but are not eligible for a pension.

2000 Contributor Profile



2000 Active Contributor Profile



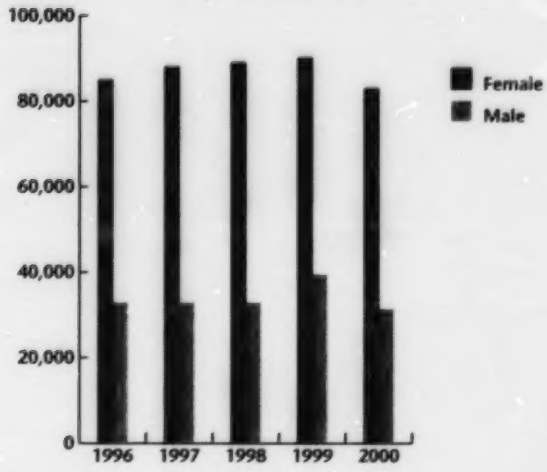
Number of Contributors

	Active	Inactive	Vested and Deferred	Total
1996	106,327	13,499	2,152	121,978
1997	108,093	11,157	4,354	123,604
1998	111,366	10,906	4,566	126,838
1999	115,353*	8,156	6,207	129,716
2000	120,048	8,029	7,639	135,716

* 1999 ACTIVE HAS BEEN RESTATED TO INCLUDE LEAVE OF ABSENCE (LOA) MEMBERS.

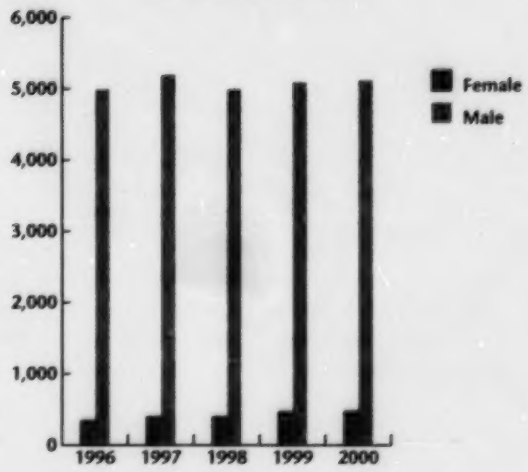
Contributors

Normal retirement, age 65

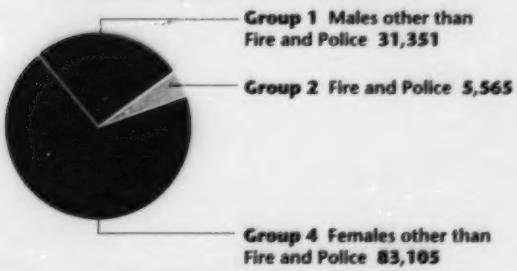


Contributors

Normal retirement, age 60

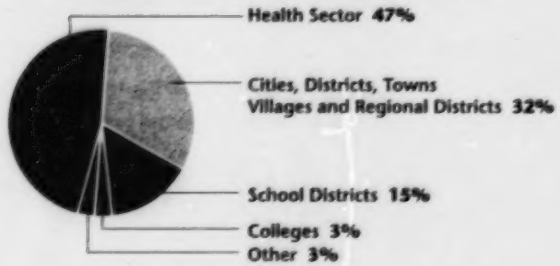


Active Contributors by Group


Group 1 Males other than Fire and Police 31,351
Group 2 Fire and Police 5,565
Group 4 Females other than Fire and Police 83,105

NOTE: THERE ARE ALSO 27 **GROUP** 3 FEMALES SPECIAL CLOSED GROUP.

Total Regular Contributions by Employer Sector as a Percentage



Active Contributors by Employer Group

	Group 1	Group 2	Group 3	Group 4	Total
Cities, Districts, Towns, Villages and Regional Districts	13,604	5,499	10	8,849	27,962
Health Sector	8,922	–	1	54,580	63,503
School Districts	6,534	–	13	13,266	19,813
Colleges	1,241	–	2	3,403	4,646
Miscellaneous	1,050	66	1	3,007	4,124
Total	31,351	5,565	27	83,105	120,048

Contributions

$ Millions

NOTE: TOTAL CONTRIBUTIONS INCLUDE THOSE FOR PURCHASES OF SERVICE.

Employer Contribution Rates by Group and Age

Group	< 50 Years	≥ 50 Years	< 45 Years	≥ 45 Years
1	4.9%	9.8%	n/a	n/a
2	n/a	n/a	8.5%	17.0%
3	n/a	n/a	5.6%	11.2%
4	5.4%	10.8%	n/a	n/a

THE CONTRIBUTION RATES IN THE TABLE ABOVE ARE APPLIED TO PENSIONABLE SALARIES GREATER THAN OR EQUAL TO THE CANADA PENSION PLAN *YEAR'S MAXIMUM PENSIONABLE EARNINGS* (CPP YMPE). CONTRIBUTION RATES FOR SALARIES LESS THAN THE YMPE ARE 1.5% LOWER.

Termination Benefits

A terminating member may be eligible for one or more of the following benefits:

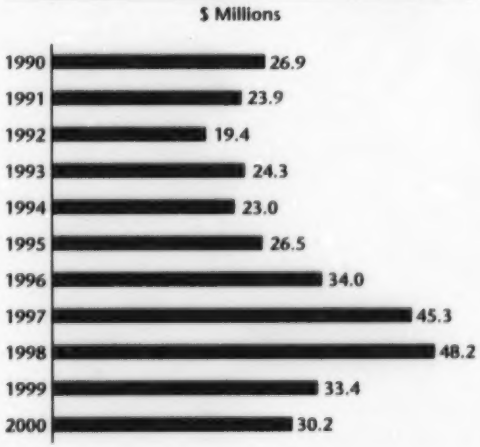
- a refund of contributions with interest
- a transfer of the commuted value of the pension benefit to a locked-in registered retirement savings plan or a registered pension plan, or
- a deferred pension.

The number of termination benefits paid can vary from year to year, depending on the employment environment. The value of termination benefits paid from 1995 onward also reflects the introduction in 1994 of the commuted value benefit option, which allows members to transfer the commuted value of their pension to a locked-in registered retirement savings plan or equivalent vehicle. Typically, commuted values, which represent the net present value of a future pension entitlement, are significantly higher in dollar value than members' personal accumulated contributions.

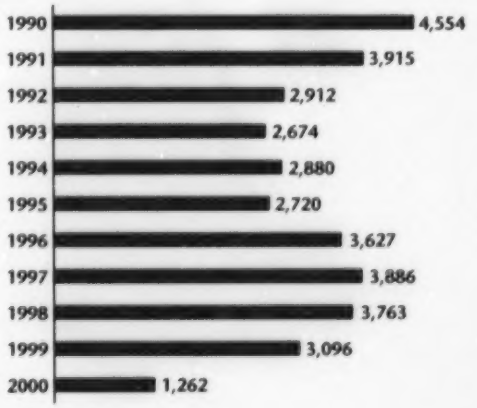
If a member leaves the plan and is eligible for a refund of contributions, the refund includes interest. Interest compounds annually and is credited to the member's contribution balance. The balance, including interest, is included in the plan member's annual benefit statement.

The rate of interest is governed by pension standards and pension plan legislation and is based on average five-year bank personal term deposit rates.

Value Of Termination Benefits Paid



Number Of Termination Benefits Paid



TERMINATION BENEFITS PAID INCLUDE ONLY REFUNDS OF CONTRIBUTIONS AND COMMUTED VALUE PAYMENTS; DEFERRED PENSIONS ARE INCLUDED IN PENSION STATISTICS.

Annual Rates for Interest Credited to Contribution Balances

1996	5.47%
1997	4.54%
1998	4.30%
1999	4.56%
2000	5.28%

Pensions

The total dollar amount of pensions paid and the number of pensioners continues to grow, primarily as a result of the aging population of members. The number of retired members on payroll increased by six per cent.

Pensions are paid at the end of each month, beginning with whichever of the following comes latest:

- the month following the month in which the plan member becomes eligible
- the month following the month in which the plan member receives the final salary, or
- the month in which the Pension Corporation receives the member's application.

The plan pays a full month's pension for the month in which a pensioner dies.

Basic pensions have a significant value. The value of a basic pension depends on a number of factors, including the member's age, salary, and years of service at retirement.

The table below shows the average asset value ("present value") of pensions granted during 2000. The value represents approximately how much it would cost to purchase an average basic pension provided under the Municipal Pension Plan.

Value of Normal Pensions Granted January 1, 2000 to December 31, 2000

(Combination of those whose retirement age was 60 and 65)
Subdivided by years of service

Years of Service	Number of Pensions Granted	Average Annual Salary Base	Average Annual Pension (Single Life Option)	Average Present Value of Pensions	Total Present Value of Pensions ($ Millions)
< 10 years	347	$35,000	$ 3,700	$ 50,000	$ 17.4
10–14	398	40,000	7,400	102,000	40.6
15–19	353	41,000	10,500	147,000	51.9
20–24	394	44,000	14,100	196,000	77.2
25–29	334	51,000	20,700	303,000	101.2
30–34	216	58,000	27,400	413,000	89.2
≥ 35 years	47	53,000	27,700	407,000	19.1
Total	2,089	n/a	n/a	n/a	$396.6
All Pension Average	n/a	$44,000	$13,000	$190,000	n/a

Pensions 1991–2000

	Granted during Year	Pension Terminations	In Force at End of Year	Basic Pensions Paid ($ Millions)	Inflation Supplements Paid ($ Millions)	Special Agreement Supplements Paid ($ Millions)	Total ($ Millions)
1991	1,481	382	19,493	$145.8	$43.0	$0.1	$188.9
1992	1,578	376	20,695	157.8	50.5	0.1	208.4
1993	1,695	407	21,983	170.9	51.7	0.1	222.7
1994	1,991	418	23,556	188.0	53.9	0.1	242.0
1995	1,964	447	25,073	205.6	53.0	0.1	258.7
1996	2,080	439	26,714	224.0	57.0	0.1	281.1
1997	2,282	502	28,494	245.4	59.1	0.1	304.6
1998	2,340	606	30,228	268.4	61.6	0.2	330.2
1999	2,652	604	32,276	295.2	61.6	0.3	357.1
2000	2,629	636	34,269	$325.1	$67.9	$0.4	$393.4

Pensions Granted, by Type 1991–2000

	Normal*	Death*	Disability+	Deferred	Total
1991	1,187	42	148	104	1,481
1992	1,245	36	168	129	1,578
1993	1,334	62	176	123	1,695
1994	1,588	51	220	132	1,991
1995	1,575	52	200	137	1,964
1996	1,670	59	205	146	2,080
1997	1,815	47	274	146	2,282
1998	1,842	74	243	181	2,340
1999	1,992	50	447	163	2,652
2000	2,089	80	323	137	2,629

* PENSIONS GRANTED DO NOT INCLUDE ANY PENSION CONTINUED TO A BENEFICIARY UPON THE DEATH OF A PENSIONER

+ LTD PENSIONS ARE FOR THOSE MEMBERS ON LONG-TERM DISABILITY WHO BECAME ELIGIBLE FOR A REGULAR PENSION

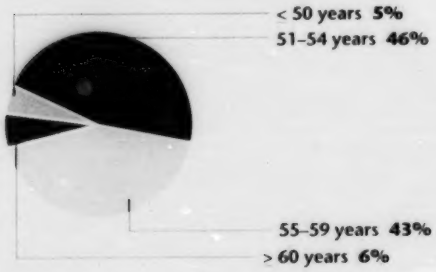
2000 Normal Pensions Granted by Age at Retirement

(For those whose normal retirement age was 60)
Subdivided by years of service and age at retirement

Years of Service	50	51–54	55–59	60+	Total
< 10 years	–	–	1	2	3
10–14	–	–	–	–	–
15–19	–	–	–	–	–
20–24	–	1	4	3	8
25–29	6	46	32	3	87
30–34	3	31	25	2	61
≥ 35 years	–	1	12	1	14
Total	9	79	74	11	173

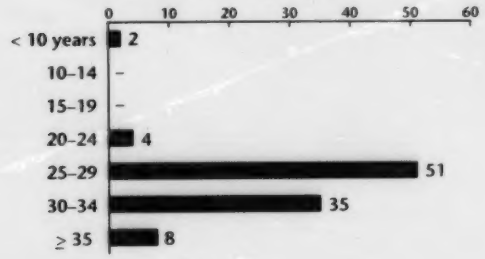
Percentage of 2000 Normal Pensions Granted by Age

Normal retirement, age 60



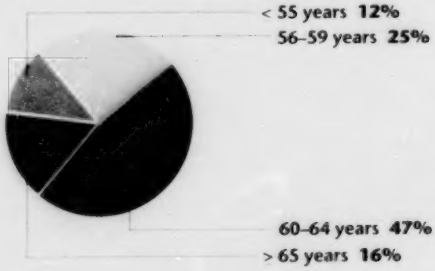
Percentage of 2000 Normal Pensions by Years of Service

Normal retirement, age 60



Percentage of 2000 Normal Pensions Granted by Age

Normal retirement, age 65



Percentage of 2000 Normal Pensions by Years of Service

Normal retirement, age 65

2000 Normal Pensions Granted by Age at Retirement

(For those whose normal retirement age was 65)
Subdivided by years of service and age at retirement

Years of Service	55	56–59	60–64	65+	Total
< 10 years	40	68	148	88	344
10–14	46	102	170	80	398
15–19	41	83	188	41	353
20–24	55	83	195	53	386
25–29	23	66	128	30	247
30–34	22	75	54	4	155
≥ 35 years	10	9	9	5	33
Total	237	486	892	301	1,916

Portability Provisions

Portability allows pension plan members to carry pension rights from one plan to another. For instance, members of the Municipal Pension Plan may carry their years of pensionable service and contributions to a new plan at a different place of employment if the new plan has a portability agreement with the Municipal Pension Plan. Employers that allow pension plan members to transfer their pension rights to other pension plans are called "reciprocal employers."

Members of the Municipal Pension Plan who have made contributions to another pension plan should inquire about portability agreements.

In 2000, there were 197 reciprocal transfers-in from other pension plans and 198 transfers-out. The transfers-in totaled approximately $11.7 million; transfers-out totaled approximately $11.0 million. As a result of changes in interplan portability provisions, transfers now include transfers between the Municipal Pension Plan and three other BC public sector plans (College, Teachers' and Public Service).

Purchase of Additional Service

It may be possible for plan members to purchase additional service. This service may include:

- approved leaves of absence
- arrears contributions
- non-contributory service, or
- reinstatement of refunded contributions.

Member and Employer Purchases of Additional Service

	Number of Purchases		Value of Purchases ($ Thousands)	
	2000	1999	2000	1999
Reinstatement of Refunded Contributions	252	534	$2,763	$5,200
Non-contributory Service	416	334	3,700	2,781
Other	604	719	1,810	2,588
Total	1,272	1,587	$8,273	$10,569

Communications

The board continues to make communicating with plan members a priority. Recent initiatives include the Pension Corporation's public web site that was introduced in 1999. The address of this web site is **pensions.bc.ca**. The Pension Corporation also continues to produce *Pensionfacts*, a series of information sheets on various topics, as well as a pensioner newsletter twice a year.

PENSION CORPORATION

Executive Offices

Mailing Address:
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Stn Prov Govt
Victoria BC
V8W 9V8

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Victoria BC
V8T 5J9

Phone:
250-387-8201
1-800-663-8823
Fax:
250-953-0429

MUNICIPAL PENSION PLAN

ADMINISTRATOR'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Municipal Pension Plan were prepared by the British Columbia Pension Corporation, the benefit administrator for the plan. The corporation is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Annual Report for the plan conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, the corporation maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The firm of Eckler Partners Ltd. has been appointed the independent consulting actuary to the plan. The role of the actuary is to complete an actuarial valuation of the plan in accordance with accepted actuarial practice; the results of the valuation are included in the financial statements.

The Auditor General of British Columbia has performed an independent audit of the financial statements of the plan in accordance with generally accepted auditing standards. The resulting audit opinion is set out in the Report of the Auditor General attached to these financial statements.

JOHN A. MOCHRIE
Chief Executive Officer
British Columbia Pension Corporation

P. LOUISE YOUNG, C.A.,
Vice-President, Information Management,
Finance and Administration
British Columbia Pension Corporation

May 10, 2001

Report of the Auditor General of British Columbia

To the Members of the Municipal Pension Board, and

To the Minister of Finance,
Province of British Columbia:

I have audited the statement of net assets available for benefits of the *Municipal Pension Plan* as at December 31, 2000 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the British Columbia Pension Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *Municipal Pension Plan* as at December 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelioff

Victoria, British Columbia
May 10, 2001

Wayne Strelioff, CA
Auditor General

MUNICIPAL PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

December 31	2000	1999
ASSETS		
Investments (Note 3)	$ 15,193,781	$ 13,998,421
Receivables		
Members' contributions	13,956	13,533
Employers' contributions	14,380	12,942
Accrued investment income	1,097	685
Due from sale of investments	14,150	-
Other	33	40
	43,616	27,200
Prepaid expenses	2,220	1,587
Cash	8,186	4,277
Total Assets	15,247,803	14,031,485
LIABILITIES		
Payable for purchase of investments	16,230	-
Accounts payable and accrued expenses	10,516	13,966
Total Liabilities	26,746	13,966
NET ASSETS AVAILABLE FOR BENEFITS	$ 15,221,057	$ 14,017,519

Obligations for Accrued Pension Benefits for Accounting Purposes (Note 7)

The 12 accompanying notes are an integral part of these financial statements.

John W. Cook, F.C.I.A.,
Chair, Municipal Pension Board,
Trustee

MUNICIPAL PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
($ Thousands)

For the year ended December 31	Basic Account	Retirement Annuity Account	Inflation Adjustment Account	Supplemental Benefits Account	Totals 2000	Totals 1999
INCREASE IN ASSETS						
Net investment income (Note 4)	$ 851,916	$ 23,039	$ 181,143	$ -	$ 1,056,098	$ 1,647,157
Contributions (Note 5)						
Members'	238,122	5,966	44,783	474	289,345	271,831
Employers'	268,094	7,770	17,406	34,899	328,169	302,592
	506,216	13,736	62,189	35,373	617,514	574,423
Transfers from other plans	8,780	-	2,968	-	11,748	4,656
Total Increase in Assets	1,366,912	36,775	246,300	35,373	1,685,360	2,226,236
DECREASE IN ASSETS						
Pension benefits						
Contributory	325,157	-	-	361	325,518	295,445
Indexing supplements	67,919	-	-	-	67,919	61,628
	393,076	-	-	361	393,437	357,073
Termination benefits	25,995	882	3,336	-	30,213	33,374
Transfers to other plans	9,183	-	1,837	-	11,020	1,576
Retired member group benefits (Note 10)	-	-	-	34,872	34,872	30,860
Administration costs (Note 9)	12,140	-	-	140	12,280	13,039
Total Decrease in Assets	440,394	882	5,173	35,373	481,822	435,922
INCREASE IN NET ASSETS BEFORE TRANSFERS	926,518	35,893	241,127	-	1,203,538	1,790,314
Account transfers (Note 6)	(58,321)	(23,662)	81,983	-	-	-
INCREASE IN NET ASSETS	868,197	12,231	323,110	-	1,203,538	1,790,314
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	11,123,640	312,590	2,581,289	-	14,017,519	12,227,205
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 11,991,837	$ 324,821	$ 2,904,399	$ -	$ 15,221,057	$ 14,017,519

Supplemental Benefits Account (Note 10)

MUNICIPAL PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

1. DESCRIPTION OF THE MUNICIPAL PENSION PLAN

The *Public Sector Pension Plans Act* was passed by the BC legislature on July 15, 1999. Effective April 1, 2000, the existing *Pension (Municipal) Act* and related regulations, which had previously governed the plan, were repealed and the Municipal Pension Plan has become governed by Schedule B of the new act. The act allowed the partners to negotiate and enter into a Joint Trust Agreement. The member partner was the Municipal Employees' Pension Committee and the employer partners were the provincial government, the Union of British Columbia Municipalities and the Health Employers Association of British Columbia. Effective April 5, 2001, a Joint Trust Agreement was implemented and now governs the pension plan. As a result, Part 1 of Schedule B of the act and regulations related to the schedule were repealed. See Note 12 for more information regarding the Joint Trust Agreement.

a) General

The plan is a contributory defined benefit pension plan open to eligible employees of a municipality, a body designated under the *College and Institute Act* or other body designated by the board.

b) Roles and Responsibilities

During the year ended December 31, 2000, the Municipal Pension Board oversaw the administration of the pension plan and the chair of the board acted as trustee. Effective April 5, 2001, with the new Joint Trust Agreement, the plan became governed by a new board of trustees, representing plan members and employers and with full responsibility for the management of the pension plan.

Effective January 1, 2000, the Office of the Chief Investment Officer was replaced by the British Columbia Investment Management Corporation (bcIMC). The bcIMC provides investment management services within investment policies approved by the pension board.

Effective April 1, 2000, the Superannuation Commission was replaced by the British Columbia Pension Corporation (Pension Corporation) as the provider of benefit administrative services to the pension plan.

c) Pension Benefits

All members with two years of contributory service are eligible for a pension benefit.

MUNICIPAL PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

1. DESCRIPTION OF THE MUNICIPAL PENSION PLAN (continued)

c) Pension Benefits (continued)

Members are eligible for unreduced pension benefits:

- at age 65 (age 60 for certain groups);
- at age 60, with at least two years contributory service (age 55 for certain groups); or
- at age 55 or older, with age plus years of service equalling 90 or more (age 50 or older and age plus service equalling 80 or more for certain groups).

Other retiring members have a reduction formula applied to their pensions.

The plan benefit is integrated with the Canada Pension Plan (CPP). As a result, the plan provides an unreduced benefit of 1.3% of pensionable earnings, up to the CPP Year's Maximum Pensionable Earnings (YMPE) and 2% of pensionable earnings over the YMPE, for each year of pensionable service (to a maximum of 35 years). Pensionable earnings is based on the member's highest five-year average salary (HAS). The plan also provides a bridging benefit with CPP which is payable to age 65 (or the date of death, if earlier). The bridging benefit is 0.7% of the lesser of YMPE or the HAS, for each year of the member's pensionable service since January 1, 1966 when CPP was introduced.

Increases to pension payments are provided each January 1 in accordance with the indexing provisions of the plan. These increases are based on the annual increase in the Consumer Price Index (CPI) as at the previous September 30, and are subject to availability of funds in the Inflation Adjustment Account (Note 6).

At January 1, 2000, retired members received a full CPI increase of 2.6% (1999 – 0.7%); at January 1, 2001, retired members will receive a full CPI increase of 2.7%.

d) Termination and Portability Benefits

A terminating member who has not yet reached the earliest age at which the member would be eligible to receive an immediate pension is eligible to receive:

- a deferred pension; or
- a refund of contributions with interest;
- a transfer of the commuted value of the pension benefit (the minimum value is the contributions with interest) to a locked-in RRSP, or registered pension plan or similar tax-sheltered plan.

MUNICIPAL PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

1. DESCRIPTION OF THE MUNICIPAL PENSION PLAN (continued)

d) Termination and Portability Benefits (continued)

A terminating member may also choose to leave monies on deposit in anticipation of future entitlements. Where there are portability arrangements between the Municipal Pension Plan and other plans, members may be able to carry certain pension rights to those other plans, or transfer contributions and service from those other plans to increase pension benefits under the Municipal Pension Plan.

e) Other Benefits

Supplemental (Note 10), disability and survivor benefits are available under the plan. Under certain circumstances, members may also reinstate or purchase additional service to increase their future pension benefit.

f) Income Taxes

The plan is a Registered Pension Plan (RPP) as defined in the *Income Tax Act (Canada)* and is not subject to income taxes, except for any supplemental benefits (Note 10) which are funded in addition to the RPP.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements present the aggregate financial position of the plan as a separate financial reporting entity, independent of the plan's contributing employers and members.

b) Investments

Investments are stated at market value. Market value is derived from external quotations or appraisals. Investment purchases and sales are recorded on trade date.

c) Investment Income

Investment income is recorded on the accrual basis.

MUNICIPAL PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

3. INVESTMENTS (Market Value)

	2000			1999
	Basic Account	Inflation Adjustment Account	Total	Total
			($ Thousands)	
Short-term	$ 71,671	$ 23,226	$ 94,897	$ 125,190
Canadian Bonds	4,072,594	973,420	5,046,014	4,604,076
Canadian Equities	3,802,876	855,905	4,658,781	5,058,208
U.S. Equities	1,197,553	264,977	1,462,530	1,270,867
International Equities	1,402,282	292,782	1,695,064	1,518,627
Mortgages	407,822	92,357	500,179	486,978
Real Estate	1,070,621	233,504	1,304,125	690,505
Private Placements	432,191	-	432,191	243,970
	$12,457,610	$2,736,171	$15,193,781	$13,998,421

Pension plan investments consist primarily of direct ownership in units of pooled investment portfolios, managed by the British Columbia Investment Management Corporation. Each unit gives its holder a proportionate share in the equity of the pooled investment fund. One or more pooled investment portfolios exist for different types of investments, such as short-term investments, Canadian bonds and Canadian equities.

Short-term investments consist of Canadian money market securities, such as treasury bills, with terms of 15 months or less. Canadian bonds consist of government and corporate bonds and debentures. Equities consist primarily of publicly traded shares, and in the case of international equities refer to investments in Europe, Australia and the Far East. Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. Real estate investments consist mainly of Canadian diversified income-producing properties. Private placements refer to Canadian and international long-term debt or equity investments made outside the structure of public markets (Note 11).

For administrative purposes, the Retirement Annuity Account assets are included in Basic Account Investments (2000 - $324,821; 1999 - $312,590).

MUNICIPAL PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

4. INVESTMENT INCOME

	2000			1999
	Income Allocation	Current Period Change In Market Value	Total	Total
			($ Thousands)	
Basic Account				
Short-term	$ 8,844	$ 339	$ 9,183	$ 5,039
Canadian Bonds	237,546	160,947	398,493	(41,458)
Canadian Equities	60,918	471,215	532,133	934,871
U.S. Equities	16,102	(61,665)	(45,563)	135,643
International Equities	18,989	(202,372)	(183,383)	274,030
Mortgages	29,981	9,241	39,222	17,474
Real Estate	45,280	32,884	78,164	47,915
Private Placements	1,683	60,470	62,153	(4,051)
	$419,343	$471,059	$ 890,402	$1,369,463
Investment Management Costs			(15,447)	(11,287)
Net Investment Income			874,955	1,358,176
Less: Retirement Annuity Account Income Allocation			(23,039)	(36,766)
			$ 851,916	$1,321,410
Inflation Adjustment Account				
Short-term	$ 2,875	$ 21	$ 2,896	$ 2,758
Canadian Bonds	54,886	47,179	102,065	6,490
Canadian Equities	13,110	89,951	103,061	188,201
U.S. Equities	3,419	(13,957)	(10,538)	26,647
International Equities	3,961	(42,979)	(39,018)	54,008
Mortgages	6,633	2,087	8,720	3,379
Real Estate	9,974	7,078	17,052	9,612
	$ 94,858	$ 89,380	$ 184,238	$ 291,095
Investment Management Costs			(3,095)	(2,114)
Net Investment Income			$ 181,143	$ 288,981
Total Basic and Inflation Adjustment Accounts				
Total Investment Income			$1,074,640	$1,660,558
Total Investment Management Costs			(18,542)	(13,401)
Total Net Investment Income			$1,056,098	$1,647,157

The income allocation portion of investment income represents pooled investment portfolio income attributable to the pension fund, as a unitholder, and as calculated by the British Columbia Investment Management Corporation, as well as interest income from directly held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio. The Retirement Annuity Account is allocated a share of Basic Account investment income based on the net earned rate of the fund.

MUNICIPAL PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

5. CONTRIBUTIONS

	2000					1999
	Basic Account	Retirement Annuity Account	Inflation Adjustment Account	Supplemental Benefits Account	Total	Total
					($ Thousands)	
Members' contributions						
Regular	$233,197	$ -	$44,469	$ -	$277,666	$257,566
Special agreement	-	5,966	-	-	5,966	6,336
Arrears	646	-	57	-	703	924
Purchase of service	1,553	-	129	-	1,682	1,278
Leave of absence	77	-	14	-	91	283
Reinstatement	2,649	-	114	-	2,763	5,200
Supplemental benefits	-	-	-	474	474	244
	238,122	5,966	44,783	474	289,345	271,831
Employers' contributions						
Regular	265,313	-	17,172	-	282,485	260,901
Special agreement	-	7,752	-	-	7,752	7,746
Arrears	834	-	94	-	928	1,117
Purchase of service	1,876	18	124	-	2,018	1,503
Leave of absence	71	-	16	-	87	264
Supplemental benefits	-	-	-	34,899	34,899	31,061
	268,094	7,770	17,406	34,899	328,169	302,592
Total Contributions	$506,216	$13,736	$62,189	$35,373	$617,514	$574,423

Employer regular Inflation Adjustment Account contributions were $44,911 of which $27,739 was allocated to the Supplemental Benefits Account.

6. ACCOUNT TRANSFERS

	2000			1999		
	Basic Account	Retirement Annuity Account	Inflation Adjustment Account	Basic Account	Retirement Annuity Account	Inflation Adjustment Account
			($ Thousands)			
Present value of current indexing supplements	$ 78,365	$ -	$(78,365)	$ 19,597	$ -	$(19,597)
Indexing of deferred pensions	754	-	(754)	1,199	-	(1,199)
Excess interest	(161,102)	-	161,102	(201,458)	-	201,458
Pensions purchased from Retirement Annuity Account	23,662	(23,662)	-	23,046	(23,046)	-
	$ (58,321)	$(23,662)	$ 81,983	$(157,616)	$(23,046)	$180,662

MUNICIPAL PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

6. ACCOUNT TRANSFERS (continued)

A separate account is maintained for funding current and future indexing supplements. This Inflation Adjustment Account is funded through a portion of ongoing contributions from employers and members (Note 8), from investment income earned on its own assets, and from excess interest earned in the Basic Account.

All pension payments are made from the Basic Account. Each year, when members' pension payments are adjusted for current indexing, monies are transferred from the Inflation Adjustment Account to the Basic Account to cover the present value of all future payments arising from the current indexing supplements.

When a deferred pension begins to be paid, the present value of the cost of living changes during the deferral period is also transferred from the Inflation Adjustment Account to the Basic Account.

Excess interest is based only on investment income earned on those Basic Account assets required for pensions currently being paid (approximately $3.4 billion of assets for 2000, $3.1 billion for 1999). The excess interest rate of return is determined by taking the difference between the actual market rate of return and the rate of return used by the actuary (7.25%) in valuing the plan's liabilities. The actual rate of return is based on a five-year average. The calculated excess interest rate of return for 2000 was 4.65% (1999 – 6.45%). Should the excess interest rate calculation ever result in a negative return, the negative return will be carried forward and offset against future excess returns.

A separate Retirement Annuity Account is maintained to record extra contributions by employers and members under special agreements. Monies are transferred at retirement from the Retirement Annuity Account to the Basic Account as additional pensions are purchased.

7. OBLIGATIONS FOR ACCRUED PENSION BENEFITS FOR ACCOUNTING PURPOSES

An actuarial valuation is performed at least every three years and its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the pension fund as described in Note 8(b). As part of the actuarial valuation the actuary calculates values, for accounting purposes, for Basic Account assets as at, and pension liabilities accrued to, the financial statement date.

MUNICIPAL PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
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7. OBLIGATIONS FOR ACCRUED PENSION BENEFITS FOR ACCOUNTING PURPOSES (continued)

The Basic Account is the account from which the defined guaranteed basic benefits of the plan are paid and from which any indexing that has been granted to retired members, is also paid. Indexing benefits are not guaranteed within the plan provisions and are granted to retired members only to the extent that sufficient money is available from the Inflation Adjustment Account (IAA) to fund those benefits. As indexing is granted, the Basic Account receives from the IAA the necessary net present value funding for the granted indexing. Therefore accrued basic pension benefits, for valuation purposes, include the liability for all indexing granted to the date of the valuation, but not, as yet unknown, future indexing.

The latest valuation was made as of December 31, 1997, by Eckler Partners Ltd. Net actuarial assets in the Basic Account as at that date were $7.8 billion (1994 - $5.5 billion). Liabilities for accrued basic pension benefits were $8.1 billion (1994 - $6.6 billion). As a result, on an accrued benefit basis, there was a Basic Account deficiency of $0.3 billion (1994 - $1.1 billion). The next actuarial valuation will be as at December 31, 2000 for inclusion in the December 2001 financial statements.

The present value of liabilities for pension benefits accrued to the valuation date is determined using the projected benefit method prorated on service. Net assets are valued using five-year market value smoothing. Actuarial liabilities and net assets reflect the following long-term actuarial assumptions:

- annual investment return 7.25%
- annual salary escalation rate 4.75%

On that basis, the extrapolated deficit to December 31, 2000 is $0.4 billion. However, extrapolations are not reliable indicators of the next valuation results nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increases, investment earnings and the incidence of retirements, withdrawals, etc. may vary significantly from the long-term assumptions, of necessity, used in the extrapolation.

No unfunded liability exists for the Inflation Adjustment Account, since the obligation for future indexing benefits is limited to the amount of the available assets in the account.

MUNICIPAL PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
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8. FUNDING (See Note 12 for changes subsequent to December 31, 2000)

a) Contributions

Basic Account

Members contribute to the Basic Account 5.0% of salaries up to the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) ($37,600 in 2000), and 6.5% of salaries above that.

Employers contribute to the Basic Account at varying rates depending on the mix of employees in the group rate classifications specified by the plan, less amounts allocated to the Supplemental Benefits Account.

Inflation Adjustment Account and Supplemental Benefits Account

Members contribute 1.0% of salaries to the Inflation Adjustment Account. Employers contribute 1.0% of salaries to the Inflation Adjustment Account, less amounts allocated to the Supplemental Benefits Account.

Retirement Annuity Account

Some employers have special agreements with members by which both make extra contributions to increase the members' pensions. These contributions are credited to the Retirement Annuity Account; they are transferred at retirement to the Basic Account as additional pensions are purchased with the accumulated monies.

b) Actuarial Valuation for Funding Purposes

An actuarial valuation of the plan's assets and pension obligations is performed every three years to determine an appropriate combined employer and member contribution rate to fund the plan. For this purpose, the plan actuary values both accrued assets and benefit obligations to the financial statement date, as well as contributions and benefits for future service. The actuary's calculated contribution rate is based on a level contribution method.

The most recent actuarial valuation for funding purposes was prepared as at December 31, 1997. This valuation disclosed an unfunded liability for basic pension benefits of $.55 billion (1994 - $1.31 billion), assuming future contributions at the statutory rates in effect at the valuation date. As a result of this valuation, the actuary's calculated level contribution rate for basic pension benefits was 0.23% of employer payroll higher than the existing statutory rates.

MUNICIPAL PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
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8. FUNDING (continued)

b) Actuarial Valuation for Funding Purposes (continued)

The following table shows a key indicator of the financial health of a pension plan, the unfunded actuarial liability (UAL) as a percentage of payroll, for the three most recent actuarial valuations. (Values shown in the table assume future contributions at the statutory rates in place at the time rather than the actuary's calculated rates.)

Actuarial Valuation Date	Actuarial Value of Basic Account Assets (a)	Basic Account Actuarial Liability (b)	Basic Account UAL (c)	Covered Payroll (d)	UAL as a Percentage of Payroll (c/d)
		($ Billions)			
1991	7.94	9.35	1.41	2.85	50%
1994	10.13	11.44	1.31	3.64	36%
1997	12.65	13.20	.55	3.92	14%

c) Funding Policy

Basic Account

For the year ended December 31, 2000, the level contribution method was the funding policy for the plan. This policy called for any increases in the UAL as a percentage of employer payroll to be amortized, by way of an increase in employer contributions, over not more than 15 years. However, on a transitional basis, no increase in employer contributions was to occur, as long as the plan's financial experience remains the same or continues to improve from one valuation to the next, based on the UAL as a percentage of employer payroll. (As the table in Note 8(b) indicates, the plan's financial experience has continued to improve on this basis.)

Inflation Adjustment Account

No unfunded liability exists for the Inflation Adjustment Account, since the obligation for future indexing benefits is limited to the amount of the available assets in the account. As indexing is granted to retired members full funding for that granted indexing, on a net present value basis, is transferred from the Inflation Adjustment Account to the Basic Account, from which the pensions are paid. There is no minimum level of indexing required to be paid under the plan rules, nor is there any legislative or plan provision or intention to fund the Inflation Adjustment Account to any minimum level of future potential indexing.

MUNICIPAL PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
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8. FUNDING (continued)

c) Funding Policy (continued)

Inflation Adjustment Account (continued)

The Municipal Pension Plan Board monitors the performance of the Inflation Adjustment Account and reviews the projected impact on the account of possible differing future economic trends. Such factors include inflation rates, real wage growth rates, real investment rates of return and group health benefits costs. This sensitivity analysis assists the board to assess, some years in advance of its possible occurrence, the point at which the Inflation Adjustment Account assets may cease to grow and beyond that, the point at which full indexing benefits may not be able to be granted. As long as there are contributions to the Inflation Adjustment Account, there will be some measure of indexing protection for retired members.

Sensitivity analysis, while useful, is future-oriented and therefore is significantly constrained by the uncertainty that the future holds. The analysis is always limited by the fact it is based on assumptions that may vary significantly from actual future economic trends.

The sensitivity analysis for the Inflation Adjustment Account was updated for December 31, 2000 financial results. The sensitivity analysis included review of the following key sensitivity measures and ranges of assumptions within those measures:

- future inflation rates ranging from 1% to 8%
- future long-term real wage growth ranging from 1% to 2%
- future real investment returns from 3.5% to 4.5%
- future long-term contributor growth rate from 0% to 2%
- future real increase in retired member extended health costs from 2.5% to 9%
- the continuation of currently required Inflation Adjustment Account employer and employee contribution rates
- up to 100% of employer contributions, that would otherwise be paid into the Inflation Adjustment Account, can be used to fund retired member dental, extended health and medical plan costs (sensitivity analysis projects that such costs could result in no employer contributions to the account within a range of 8 to 19 years).

In all the sensitivity models reviewed, the Inflation Adjustment Account assets were projected to continue to grow for at least 20 years.

MUNICIPAL PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

9. RELATED PARTY TRANSACTIONS

a) Administration Costs

Administration costs include general benefit administration costs, actuarial fees and pension board expenses. General administration costs incurred by the British Columbia Pension Corporation are prorated and charged to each pension plan under its administration based primarily on the relative numbers of members in each plan.

b) Investment Management Costs

The British Columbia Investment Management Corporation manages investments on behalf of the plan and uses internal and external investment managers for this purpose. Total investment management fees for 2000 were $18.5 million (1999 - $13.4 million).

10. SUPPLEMENTAL BENEFITS ACCOUNT

The Supplemental Benefits Account is the account through which certain supplemental benefits are funded. For example, pension benefits which exceed the *Income Tax Act (Canada)* limits for registered pension plans are paid through this account. Certain group benefit coverages may also be provided to retired members through the account. There is no amount included in the Obligation for Accrued Benefits (Note 7) relating to retired member group benefit plans. There may be an obligation to some retired members for certain group benefits. However, the existence of such an obligation has not been established and, if it exists, it cannot be estimated at this time.

To the extent dental and extended health benefits are funded through the Supplemental Benefits Account, they are funded from employer inflation contributions. To the extent medical service plan benefits are funded through the Supplemental Benefits Account, they are funded 50% from employer basic contributions and 50% from employer inflation contributions.

MUNICIPAL PENSION PLAN
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11. COMMITMENTS

The Municipal Pension Plan participates in the Private Placements pools managed by bcIMC. These pools are closed-end funds consisting primarily of investments in limited partnerships. As at December 31, 2000 the Municipal Pension Plan's share of commitments (over the next several years) for investment contracts in these pools is approximately $347 million.

12. SUBSEQUENT EVENT

Effective April 5, 2001, the Municipal Pension Plan became governed by a new Joint Trust Agreement. The pension plan rules are made under the authority of that agreement. The agreement also describes the composition, appointment, powers, functions and duties of trustees.

The agreement specifies a transitional period during which surplus assets or actuarial gains must be used to achieve the following objectives in the following order:

- Eliminate unfunded liability
- Rebalance member and employer contribution rates and provide specified benefit improvements when sufficient surplus assets allow simultaneous implementation
- Contribution rate stabilization reserve and Inflation Adjustment Account (IAA) - 50% of any additional surplus assets must be transferred to a contribution rate stabilization reserve and 50% must be transferred to the IAA to an aggregate of one billion dollars. The contribution rate stabilization reserve will be shared on an equal (50/50) basis in order to maintain or reduce future member and employer contribution rates.

After these transitional objectives have been achieved, the agreement describes the manners in which the board can elect to apply surplus assets so as to achieve over time an equitable sharing of the benefits of the surplus assets between members and employers.

The agreement describes that if at any time, an actuarial valuation indicates that increased basic contribution rates are required to fully fund the plan on a going-concern basis, the increase must be shared equally by members and employers.